

## Message Text

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ORIGIN OPIC-12

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R 172059Z AUG 73

FM SECSTATE WASHDC

TO AMEMBASSY COTONOU

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E.O. 11652: N/A

TAGS: EFIN, DM

SUBJ: SPECIAL PROJECT FEASIBILITY STUDIES-FOOD MARKETING & PROCESSING  
DYNALLECTRON (HRI) - DAHOMEY

1. JUST LEARNED THAT KELLY AND NEER HAVE BEEN RETIRED BY  
DYNALLECTRON (HRI) AND THAT GROUP V/P EARL HOLDGRAF (WHO IS  
ALSO THE ACTING PRESIDENT OF HRI) IS SEIZED WITH THE PROBLEM  
OF AN OVERDUE DECISION ON WHAT HIS COMPANY WILL DO ABOUT THE  
PEANUT PROJECT.

2. HOLDGRAF JOINED THE COMPANY LAST YEAR AND APPEARS TO DOUBT  
THAT THIS IS A PROPER INVESTMENT FOR THEM AT THIS TIME. THIS,  
HE SAYS, IS CONTRARY TO THE ENTHUSIASM OF OTHERS IN THE COMPANY  
WHO WERE DEALING WITH THE PROPOSAL WHEN HE JOINED.

3. PART OF HIS LACK OF ENTHUSIASM HAS TO DO WITH WEST AFRICA  
WHERE THEIR ONLY OTHER AFRICAN INVESTMENT (IN LIBERIA) REMAINS  
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UNPROFITABLE. ALSO HE IS UNCERTAIN ABOUT THE POLITICAL CLIMATE

IN DAHOMEY.

4. ON THE ECONOMICS OF THE PROJECT HE DOES NOT LIKE THE FACT THAT ITS FEASIBILITY APPEARS TO REST ON THE SUPPLY OF PEANUTS FROM NIGER. WE WONDER, TOO, WHETHER KFW'S RELUCTANCE TO MAKE THE LOAN IS BASED ON THEIR JUDGMENT THAT THE PROJECT IS NOT FEASIBLE.

5. OPIC WILL MEET WITH HOLDGRAFT TO GO OVER SITUATIONS SO THAT THE COMPANY WILL COME TO AN EARLY DECISION ON WHETHER TO TRY TO IMPLEMENT THE PROJECT OR TO DROP IT. ALTHOUGH HOLDGRAF, WHO IS NEW TO THE COMPANY, IS LEANING TO THE LATTER RESULT, THERE MAY BE SOME WAY TO WORK TO KINDLE HIS ENTHUSIASM AND RENEW COMPANY INTEREST BY IMPROVING THEIR PERCEPTION OF POLITICAL AND ECONOMIC FEASIBILITY AND PERHAPS BY SUGGESTING TECHNIQUES WHICH WOULD REDUCE THEIR FINANCIAL EXPOSURE IN THE PROJECT.

6. EXPECT THIS MEETING TO BE IN TWO WEEKS AND WOULD APPRECIATE YOUR COMMENTS ON THE FOLLOWING:

A. KFA LOAN--STATUS OF CONSIDERATION; IF NOT GOING AHEAD, WHY NOT?

B. OTHER EFFORTS IN DAHOMEY TO ESTABLISH A PEANUT PROCESSING AND MARKETING BUSINESS.

C. IF NIGER SUPPLY IS ESSENTIAL TO PROJECT FEASIBILITY, THE PROJECT MUST BE ABLE TO COUNT ON IT. CAN THEY?

D. WHAT RESULT IS THE GOVERNMENT LOOKING FOR IF IT HAD OPTIONS? FOR INSTANCE, WHAT OWNERSHIP ROLE DO YOU THINK THEY PREFER FOR THEMSELVES, LOCAL PRIVATE CITIZENS OR GROUPS AND FOREIGNERS IS FOR LOCAL OWNERSHIP (PUBLIC OR PRIVATE) DO THEY HAVE THE FUNDS TO PAY FOR THE QUITY?

E. WHAT LOCAL FUNDS AND GUARANTIES OF DOLLAR BORROWINGS ARE ATP TO BE AVAILABLE FOR THIS PROJECT FROM LOCAL OR REGIONAL SOURCES?

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7. YOUR JUDGMENT ON THESE WILL CONTRIBUTE TO THE DISCUSSIONS HERE AND, IF THE COMPANY DROPS THE PROJECT, OPIC'S DECISION ON WHETHER AND HOW TO APPROACH OTHER POTENTIAL U.S. FIRMS ABOUT THIS INVESTMENT OPPORTUNITY.

8. NATURALLY IF THIS PROJECT IS FEASIBLE AND THE GOVERNMENT WANTS A FOREIGN FIRM TO IMPLEMENT IT OPIC WANTS TO HELP A COMPETENT AND RESPONSIBLE U.S. FIRM GET THE INVESTMENT/

MANAGEMENT OPPORTUNITY AND U.S. SUPPLIERS TO GET THE SALES  
ORDERS. ROGERS

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